

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, California 94105**

**RH 01018819**

**September 20, 2002**

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING  
REGARDING LOW COST AUTOMOBILE INSURANCE RATES**

**SUBJECT OF HEARING**

California Insurance Commissioner Harry W. Low will hold a public hearing to consider the rate application of the California Automobile Assigned Risk Plan ("CAARP") to maintain current rates for the California Low Cost Automobile Insurance Program. Premium rates are specified in the program's Plan of Operations, approved by the Commissioner. California Code of Regulations, Title 10, Chapter 5, Section 2498.6 references this plan.

**AUTHORITY TO ADOPT RATES AND REFERENCE**

The Insurance Commissioner will consider the proposed rates pursuant to the authority vested in him by California Insurance Code Sections 11620, 11624, 11629.72 and 11629.92. Premium rates, initially set forth in Insurance Code Sections 11629.72 and 11629.92, are referenced in Section 27 of the Plan of Operations. Government Code Section 11343(a) applies to this proceeding.

**HEARING DATE AND LOCATION**

Notice is hereby given that a public hearing will be held to permit all interested persons the opportunity to present statements or arguments, orally or in writing, with respect to the proposed rates at the following date, time, and place:

<b>Date and Time:</b>	<b>November 14, 2002 10:30 a.m.</b>
<b>Location:</b>	<b>State Building 455 Golden Gate Avenue, Room #5 San Francisco, California 94102</b>

**ACCESS TO HEARING ROOM**

The facilities to be used for the public hearing are accessible to persons with mobility impairments. Persons with sight or hearing impairments are requested to notify the

contact person (listed below) for this hearing in order to make special arrangements, if necessary.

WRITTEN AND/OR ORAL COMMENTS: AGENCY CONTACT PERSON

All persons are invited to submit written comments to the Insurance Commissioner on the proposed rates prior to the public comment deadline. Comments should be addressed to the contact person for this proceeding:

Mary Ann Shulman, Staff Counsel  
California Department of Insurance  
Rate Enforcement Bureau  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[Shulmanm@insurance.ca.gov](mailto:Shulmanm@insurance.ca.gov)  
Telephone: (415) 538-4133  
Facsimile: (415) 904-5490

The backup agency contact person for this proceeding will be:

Elizabeth Mohr, Assistant Chief Counsel  
California Department of Insurance  
Rate Enforcement Bureau  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105  
[MohrE@insurance.ca.gov](mailto:MohrE@insurance.ca.gov)  
Telephone: (415) 538-4112  
Facsimile: (415) 904-5490

All persons are invited to present oral and/or written testimony at the scheduled public hearing.

DEADLINE FOR WRITTEN COMMENTS

All written materials, unless submitted at the hearing, must be **received** by the Insurance Commissioner at the address listed above **no later than 5:00 p.m. on November 14, 2002**. Any written materials received after that time will not be considered. Written comments may also be submitted by e-mail and facsimile transmission.

ADVOCACY OR WITNESS FEES

Persons or groups representing the interest of consumers may be entitled to reasonable advocacy fees, witness fees, and other reasonable expenses, in accordance with the provisions of California Code of Regulations, Title 10, Sections 2662.1-2662.6 in connection with their participation in this matter. Interested persons must submit a Petition to Participate, as specified in California Code of Regulations, Title 10, Section 2661.4. The Petition to Participate must be submitted to the Commissioner at the Office of the Public Advisor at the following address:

California Department of Insurance  
Office of the Public Advisor  
300 Capitol Mall, Suite 1700  
Sacramento, CA 95814  
Telephone: (916) 492-3500

A copy of the Petition to Participate must also be submitted to the contact person for this hearing (listed above). For further information, please contact the Office of the Public Advisor.

### **INFORMATIVE DIGEST**

California Insurance Code Sections 11629.7 through 11629.995 establish, within the California Automobile Assigned Risk Plan (CAARP), established under Section 11620 of the Insurance Code, low-cost automobile insurance pilot programs for the County of Los Angeles and the City and County of San Francisco.

Because the pilot programs are established and administered through CAARP, the Commissioner has determined to apply the CAARP procedures to the low cost automobile insurance pilot programs where appropriate and not inconsistent with the low cost automobile insurance statutes. Insurance Code Sections 11620 and 11624 require the Commissioner to hold a public hearing before amending assigned risk plan rates.

Sections 11629.7 and 11629.9 of the Insurance Code require that, after a public hearing, the Commissioner shall approve or issue a reasonable plan for the equitable apportionment, among insurers, of those persons eligible to purchase a low-cost automobile insurance policy through the pilot programs. The plan, approved by the Commissioner, is referenced in Title 10, Section 2498.6 of the California Code of Regulations. This plan contains rules and rates.

Under the pilot programs, the low-cost auto policy satisfies the financial responsibility laws and provides coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons in one accident, and \$3,000 for liability for damage to property. In addition to eligibility and other requirements, the statute sets forth the initial annual premium rates. In certain cases, surcharges are added to the base rate. The statute also provides procedures for adjusting the rates.

The initial annual premium rates set forth in Sections 11629.72 and 11629.92 of the Insurance Code are \$450 per vehicle in the County of Los Angeles and \$410 per vehicle in the City and County of San Francisco. Insurance Code Sections 11629.72(c) and 11629.92(c) provide that, annually, CAARP shall submit to the Commissioner a proposed rate for approval. Accordingly, CAARP has submitted a proposal to maintain the current rates. Further details appear in the application on file with the Commissioner, which is available for review as set forth below.

#### COMPARABLE FEDERAL LAW

There are no comparable existing federal regulations or statutes.

#### LOCAL MANDATE DETERMINATION

The Insurance Commissioner has initially determined that the proposal will not result in any new program mandates on local agencies or school districts.

#### COST OR SAVINGS TO AGENCIES / SCHOOL DISTRICTS / FEDERAL FUNDING

The Insurance Commissioner has initially determined that the proposal will not result in any cost or significant savings to any local agency or school district for which Part 7 (commencing with Section 17500) of Division 4 of the Government Code would require reimbursement, or in other nondiscretionary costs or savings to local agencies. Nor will the proposal affect federal funding to the state.

#### SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT ON BUSINESSES AND THE ABILITY OF CALIFORNIA BUSINESSES TO COMPETE

Because the proposal involves rates for private passenger automobiles, the Insurance Commissioner has initially determined that the proposal will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. This proposal will have no effect on the creation or elimination of jobs in California, the creation of new businesses, the elimination of existing businesses in California, or the expansion of businesses in California.

#### COST IMPACT ON PRIVATE PERSONS OR ENTITIES

The Insurance Commissioner has initially determined that the proposal will not impact businesses, but will have a potential cost impact on private persons directly affected.

#### IMPACT ON HOUSING COSTS

The Insurance Commissioner has initially determined that the proposal will not affect housing costs.

#### SPECIFIC TECHNOLOGIES OR EQUIPMENT

The proposal would not mandate the use of specific technologies or equipment.

#### ALTERNATIVES

The Insurance Commissioner must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to the attention of the agency, would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

The agency invites interested persons to present statements or arguments with respect to alternatives to the proposed rates at the scheduled hearing or during the written comment period.

### PLAIN ENGLISH

The application describing the proposal is in plain English. However, the application itself is based on technical actuarial principles.

### TEXT OF RATE APPLICATION AND INITIAL STATEMENT OF REASONS

The Department has prepared an Initial Statement of Reasons for the proposed rate application, in addition to the Informative Digest included in this notice. The Initial Statement of Reasons and this Notice of Proposed Action are available for inspection or copying, and will be provided at no charge upon request to a contact person listed above. Further details of the rate application are on file with the Commissioner and available for review as set forth below.

### ACCESS TO RULEMAKING FILE

Any interested person may inspect a copy of or direct questions about the proposed rate application, the statement of reasons, the information upon which the proposal is based, and any supplemental information contained in the rulemaking file by contacting the contact person listed above. **By prior appointment**, the rulemaking file is available for inspection at 45 Fremont Street, 21<sup>st</sup> Floor, San Francisco, California 94105, between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday.

### AUTOMATIC MAILING

A copy of this Notice, including the Informative Digest, is being sent to all persons on the Insurance Commissioner's mailing list.

### AVAILABILITY OF DOCUMENTS ON THE INTERNET

The Initial Statement of Reasons and this Notice of Proposed Action will be published online and may be accessed through the Department's website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

**HARRY W. LOW**  
Insurance Commissioner

Dated: September 9, 2002

By:\_\_\_\_/s/\_\_\_\_\_  
Mary Ann Shulman  
Staff Counsel